



THE STATE  
of **ALASKA**

GOVERNOR MICHAEL J. DUNLEAVY

**Department of Natural Resources**

OFFICE OF THE COMMISSIONER

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**SENT VIA RETURN RECEIPT EMAIL**

November 12, 2019

The Honorable Senator Cathy Giessel  
1500 W. Benson Blvd.  
Anchorage, AK 99503

The Honorable Senator John Coghill  
1292 Sadler Way, Ste. 340  
Fairbanks, AK 99701

The Honorable Representative Geran Tarr  
1500 W Benson Blvd.  
Anchorage, AK 99503

The Honorable Representative John Lincoln  
State Capitol Room 102  
Juneau, AK 99801

Dear Senators Giessel and Coghill, and Representatives Tarr and Lincoln,

This letter is to provide a general overview of the proposed sale (the “Sale”) of some Alaska assets by BP and affiliates to Hilcorp Alaska, LLC and affiliates (collectively, “Hilcorp”). Additionally, this letter provides a status update of the approval process required by the Department of Natural Resources (“DNR”) for the proposed sale. The Sale documents and their specific terms are currently being reviewed by the Department of Natural Resources (“DNR”) and are considered confidential under Alaska law.

As publicly announced, the \$5.6 billion Sale transfers all of BP’s interests in Alaska to Hilcorp, including a combination of upstream and midstream assets. BP is currently the operator of the Prudhoe Bay Unit, and owns just over 26 percent of the unit’s working interest. BP also owns an interest in Milne Point Unit, Point Thomson Unit, Liberty Unit and Alaska LNG.<sup>1</sup> Further, BP owns an interest in Trans-Alaska Pipeline System (“TAPS”) and assets associated therewith. The exact assets and the proportionate share thereof that are being sold in this transaction are as follows:

- Prudhoe Bay Unit: ~26 percent
- Point Thomson Unit: ~32 percent
- Milne Point Unit: ~49 percent
- Liberty Unit (Federal unit): ~40 percent
- ANWR leases (Arctic Slope Regional Corporation leases): 50 percent
- Alaska LNG: 33.33 percent
- PTE Pipeline LLC: 32 percent of outstanding limited liability company interest
- Milne Point Pipeline, LLC: 50 percent of outstanding limited liability company interest
- TAPS: ~49 percent
- Alyeska Pipeline Service Company: ~49 percent of issued and outstanding shares
- Prince William Sound Oil Spill Response Corporation: 25 percent of issued and outstanding shares

<sup>1</sup> A map of Alaska North Slope Units listing working interest ownerships may be found at:  
[https://dog.dnr.alaska.gov/Document/3E9427D4241C4935ACD04D01AF936D48/3-1-2019\\_North\\_Slope\\_Unit\\_Land\\_Working\\_Interest\\_Ownership?](https://dog.dnr.alaska.gov/Document/3E9427D4241C4935ACD04D01AF936D48/3-1-2019_North_Slope_Unit_Land_Working_Interest_Ownership?)

The upstream component of the Sale is structured such that Hilcorp is acquiring 100 percent of the shares of BP Exploration America (“BPXA”). After consummation of the Sale, Hilcorp will become the sole owner and exclusive shareholder of BPXA, which holds, among other assets, interests in State of Alaska oil and gas leases. The midstream component of the sale contemplates Hilcorp’s purchase of 100 percent of the shares of BP Pipelines Alaska (“BPPA”) and BP’s 49.1 percent interest in the TAPS assets.

Unlike the BP-ARCO merger that closed in 2000, which was subject to oversight from the Securities and Exchange Commission, the proposed transaction has undergone review by the Federal Trade Commission to identify any antitrust or anticompetitive issues induced by the transaction. This federal review identified no such issues and will not prevent the parties from closing the transaction. The Department of Law is currently conducting a similar review.

Consistent with its obligation to manage the state’s resources for the maximum benefit of the people, DNR is conducting an extensive review of the transaction to ensure the state’s interests are protected. Under 11 AAC 82.605, the DNR Commissioner must approve the transfer of an interest in an oil and gas lease for the transfer to be binding upon the state. As part of its deliberative process before approving or disapproving the transfers contemplated by the BP-Hilcorp transaction, DNR is currently engaged in extensive due diligence and review of the proposed Sale.

A partial list of ongoing review activities includes, but is not limited to: (1) examining the purchase and sale agreement that effectuates the Sale to understand how the obligations to the State are shared amongst the parties, including whether or not the original lessee remains liable for obligations accruing before the transfer; (2) contracting with an independent and highly-respected economic consulting firm to rigorously examine Hilcorp’s ability to fulfill its obligations to the State under a set of stressful scenarios; (3) examining the existing financial assurances structure to determine what amendments will be required to properly manage the change in the State’s risk profile due to the Sale; (4) conducting a thorough in-house financial analysis of several years of financial information; and (5) identifying and resolving any potential issues associated with the operation of acquired pipelines and infrastructure.

In addition to DNR, other state agencies will have a regulatory oversight role related to this Sale. For example, this includes but is not limited to: (1) the Alaska Oil & Gas Conservation Commission on issues regarding bonding and transfer of well ownership; (2) the Department of Environmental Conservation regarding Discharge Prevention and Contingency Plan approvals and certificates of financial responsibility; (3) the Regulatory Commission of Alaska regarding the transfer of common-carrier pipeline assets; (4) the Department of Revenue regarding possible tax implications; (5) the Department of Fish & Game regarding the possible transfer of permits; and (6) the Department of Law, which will provide legal advice to all state agencies throughout this process. The functions listed for each agency do not comprise an exhaustive list. For more specific information regarding each agency’s process, I respectfully refer you to each agency’s respective Commissioner or the Attorney General.

Rest assured, DNR takes its responsibilities for regulatory oversight and protection of the State’s interests very seriously. DNR is focused squarely on conducting a full suite of analyses to

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ensure that the State's interests are protected. While it is early in this process, significant resources within this agency and the Department of Law are currently deployed to ensure this robust oversight. I invite you and others to check back periodically as DNR's due diligence into the Sale progresses.

Sincerely,



Corri A. Feige  
Commissioner

Cc: Ben Stevens, Chief of Staff to Governor Michael J. Dunleavy  
Suzanne Cunningham, Legislative Director to Governor Michael J. Dunleavy  
Jeremy Price, Chair, Alaska Oil & Gas Conservation Commission  
Jason Brune, Commissioner, Dept. of Environmental Conservation  
Robert M. Pickett, Chair, Regulatory Commission of Alaska  
Bruce Tangeman, Commissioner, Dept. of Revenue  
Douglas Vincent-Lang, Commissioner, Dept. of Fish & Game  
Kevin Clarkson, Esq., Attorney General